

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Green Finance Framework

Elia Transmission Belgium
9 December 2021

VERIFICATION PARAMETERS

Type(s) of Instruments contemplated	<ul style="list-style-type: none">• Green Finance Instruments
Relevant standards	<ul style="list-style-type: none">• Green Bond Principles (2021), as administered by ICMA, Green Loan Principles (2021), as administered by LMA, EU Taxonomy Climate Delegated Act (June 2021), and the proposed European Green Bond Standard (European GBS) (July 2021)
Scope of verification	<ul style="list-style-type: none">• Elia Green Finance Framework (as of December 8th, 2021)
Lifecycle	<ul style="list-style-type: none">• Pre-issuance verification
Validity	<ul style="list-style-type: none">• As long as the Green Finance Framework remains unchanged

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Scope of work

Elia Transmission Belgium (hereafter, “Elia” or “the issuer”) commissioned ISS ESG to assist with its Green Finance Framework by assessing three core elements to determine the sustainability quality of the instruments:

1. Green Finance Instruments’ link to Elia’s sustainability strategy – drawing on Elia’s overall sustainability profile and issuance-specific Use of Proceeds category.
2. Elia’s Green Finance Framework (as of December 8th, 2021) – benchmarked against the International Capital Market Association’s (ICMA) Green Bond Principles (GBPs) (June 2021), Loan Market Association’s (LMA) Green Loan Principles (GLPs) (February 2021) and proposed European Green Bond Standard (European GBS) (July 2021).
3. The selection criteria – whether they contribute positively to the UN SDGs and are aligned with the EU Taxonomy Technical Screening Criteria (including the Climate Change Mitigation Criteria and Do No Significant Harm Criteria) (June 2021) and Minimum Social Safeguards requirements.

ISS ESG ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ¹
<p>Part 1:</p> <p>Green Finance Instruments’ link to issuer’s sustainability strategy</p>	<p>Elia is a Belgium-based electricity network operator focused on transmission infrastructure.</p> <p>ISS ESG finds that the Use of Proceeds financed through this Green Finance Framework are consistent with the issuer’s sustainability strategy and material ESG topics for the issuer’s industry. The rationale for issuing Green Finance Instruments is clearly described by the issuer.</p>	<p>Consistent with issuer’s sustainability strategy</p>
<p>Part 2:</p> <p>Alignment with GBPs, GLPs, proposed European GBS (July 2021)</p>	<p>The issuer has defined a formal concept for its Green Finance Framework regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the Green Bond Principles, Green Loan Principles, and aligned on a “best efforts” basis with the proposed European GBS (July 2021).</p>	<p>Aligned</p>
<p>Part 3:</p> <p>Sustainability quality of the selection criteria and alignment with EU Taxonomy</p>	<p>The overall sustainability quality of the asset pool in terms of sustainability benefits, risk avoidance and minimization is good based upon the ISS ESG assessment. The Green Finance Framework will (re-)finance eligible projects within renewable energy.</p> <p>This use of proceeds category has a significant contribution to SDGs 13 “Climate action” and 7 “Affordable and Clean Energy”.</p> <p>ISS ESG assessed the alignment of Elia’s due diligence processes and policies against the requirements of the EU Taxonomy (Climate Delegated Act of June 2021). Based on robust processes for selection, the nominated project category is considered to be aligned with the EU Taxonomy and the relevant activity-specific Technical Screening Criteria, including the Climate Change Mitigation Criteria, the Do No Significant Harm Criteria and the Minimum Social Safeguards requirements.</p>	<p>Positive</p> <p>Positive</p>

¹ ISS ESG’s evaluation is based on Elia’s Green Finance Framework (as of December 8th, 2021), on the analysed asset pool, and on the ISS ESG Indicative Corporate Rating applicable at the SPO delivery date.

ISS ESG SPO ASSESSMENT

PART I: GREEN FINANCE FRAMEWORK LINK TO THE ISSUER'S SUSTAINABILITY STRATEGY

A. ASSESSMENT OF ELIA'S ESG PERFORMANCE

Methodological note: Please note that Elia is not part of the ISS ESG Corporate Rating Universe. Thus, the below sustainability profile is an assessment conducted by the analyst in charge of the Gas and Electricity Network Operators sector based on publicly available information exclusively. No direct communication between the issuer and the analyst has taken place during the process. The below is not based on an ISS ESG Corporate Rating but considers ISS ESG Research's methodology.

Industry classification: Gas and Electricity Network Operators

Key Issues of the industry

1. Facilitation of the energy transition and resource efficiency
2. Environmentally safe operation of plants and infrastructure
3. Accessibility and reliability of energy and water supply
4. Business ethics and government relations
5. Worker safety and accident prevention

Indicative ESG risk and performance assessment

Elia Group is composed of two transmission system operators: Elia Transmission Belgium which operates in Belgium and 50Hertz which operates in Germany. In addition, the company is involved in the Nemo Link joint venture that operates a subsea interconnector between Belgium and the United Kingdom.

For an electricity network operator, the main social issues include ensuring a reliable power supply and system stability, and protecting the health and safety of employees and contractors. The network average interruption time was relatively low in 2020 (2.9 minutes at Elia Belgium) and Elia Group refers to several relevant measures to ensure network reliability. The company has also established group-wide health and safety management systems. The accident rate of its employees is at a common industry level and has decreased in recent years. While the accident rate of contractors is comparatively high, it demonstrates a decreasing trend.

On the environmental side, major risks include greenhouse gas emissions (SF6 from network leakages and indirect emissions through transmission losses) and the possible negative biodiversity impacts of network operations. Annual transmission losses are low. In addition, the company is committed to setting a science-based greenhouse gas emissions reduction target in line with the global climate goal of limiting temperature increase to well below 2°C. Elia Group has implemented sound measures to ensure that its operations are not harming the natural biodiversity, especially regarding bird species.

Regarding business ethics, the company has in place some policies addressing issues such as corruption, insider dealings, and conflicts of interest. Respective compliance training and audits are conducted. The company provides confidential and anonymous non-compliance reporting channels, including whistleblower protection procedures.

Indicative product portfolio assessment

Social impact of the product portfolio

The operation of electricity transmission systems is considered to have no positive or negative net social impact.

Environmental impact of the product portfolio

As a power transmission system operator, Elia Group has an important role in the transition to a more sustainable energy system by providing the infrastructure to connect renewable energies to the network and transport electricity based on renewable sources over long distances.

Controversy Assessment

Company Screening

The analyst in charge of producing this report conducted a high-level controversy assessment, based on publicly available information exclusively. There is no indication of Elia being involved in any of the below mentioned controversies.

Industry risks

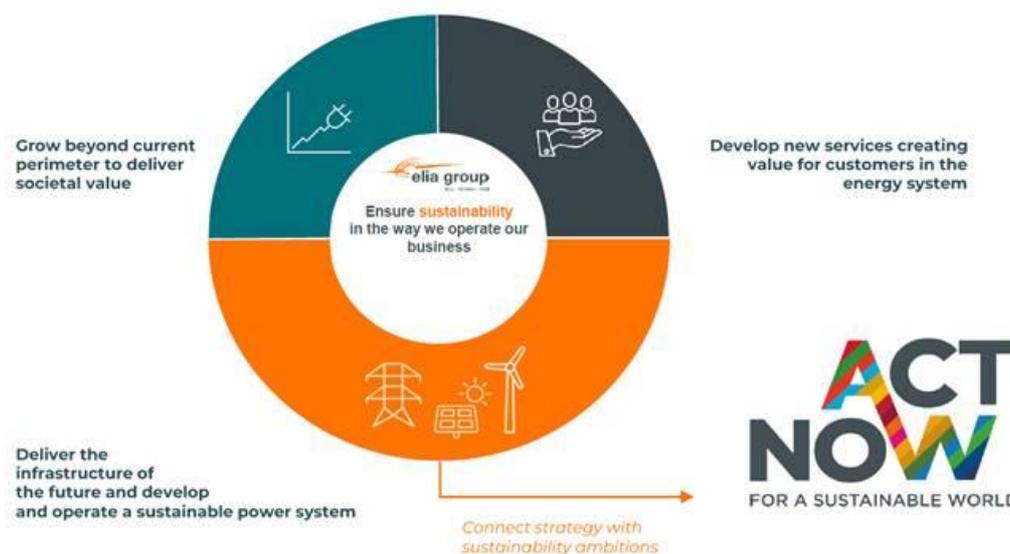
Based on a review of controversies in the period of 1 January 2019 – 24 September 2021, the greatest risks reported against companies operating in the Gas and Electricity Network Operators industry relate to activities that may have adverse impacts on the environment and human rights. This is closely followed by activities related to business malpractice. The top three issues that have been reported against companies within the industry are as follows: alleged failure to assess environmental impacts, failure to respect the right to an adequate standard of living, and failure to mitigate climate change impacts. This is closely followed by the alleged failure to prevent pollution, poor stakeholder consultation, and failure to prevent water pollution.

B. CONSISTENCY OF GREEN FINANCE FRAMEWORK WITH ELIA'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the issuer

As the owner of two grid operators, Elia Group considers itself as an enabler of the energy transition. The Group supports the European Commission's 'Fit for 55' package, which involves the revision of key legislation to reduce greenhouse gas emissions by at least 55% by 2030 (compared with 1990 levels) and reach carbon neutrality by 2050. It further develops its Belgian and German grids and builds interconnectors with neighbouring countries to incorporate and facilitate the exchange of ever-increasing amounts of renewable energy into the system. Additionally, Elia Group continuously aims to optimise its operational systems and develop new market products so that new technologies and market parties can access its grids. These activities promote the decarbonisation of society and contribute to ensuring that Europe's transition to climate neutrality is successful.

The figure below illustrates how sustainability has become a central part of Elia Group's strategy in recent years. The Group's Act Now programme defines concrete, measurable and ambitious objectives which outline how the Group will continue to embed sustainability across its business processes in the short, medium and long term. The relevant dimensions of the Act Now initiative comprise of climate action, environment and circular economy, health and safety, a culture of inclusion and finally, governance, ethics and compliance.



Rationale for issuance

The Green Finance Framework aims to support Elia Group strategy and Europe's transition to a low-carbon economy. By issuing Green Finance Instruments, Elia Transmission Belgium intends to align its funding strategy with its mission and reinforce its commitment to the clean energy transition.

Elia believes that Green Finance Instruments are an effective tool to channel investments into projects which have environmental benefits and thereby contribute to the achievement of the SDGs and objectives of the EU Green Deal.

Through its Green Finance Framework, Elia Transmission Belgium also intends to contribute to the growth of the green financing market through different financial instruments and to support the willingness of investors to finance green projects.

The Green Finance Framework acts as a comprehensive document in line with which Elia Transmission Belgium will issue Green Finance Instruments, which may include bonds (including private placements), commercial paper, loans, promissory note loans, and any other Green Finance Instruments which will finance and/or refinance green projects that carry an environmental benefit.

Contribution of Use of Proceeds categories to sustainability objectives and priorities

ISS ESG mapped the Use of Proceeds categories financed under this Green Finance Framework with the sustainability objectives defined by the issuer, and with the key ESG industry challenges as defined in the ISS ESG Corporate Rating methodology for the Gas and Electricity Network Operators sector. Key ESG industry challenges are key issues that are highly relevant for a respective industry to tackle

when it comes to sustainability, e.g. facilitation of the energy transition and resource efficiency. From this mapping, ISS ESG derived a level of contribution to the strategy of the Use of Proceeds category.

USE OF PROCEEDS CATEGORY	SUSTAINABILITY OBJECTIVES FOR THE ISSUER	KEY ESG INDUSTRY CHALLENGES	CONTRIBUTION
Renewable Energy	✓	✓	Contribution to a material objective

Opinion: ISS ESG finds that the Use of Proceeds financed through this Green Finance Framework are consistent with the issuer's sustainability strategy and material ESG topics for the issuer's industry. The rationale for issuing Green Finance Instruments is clearly described by the issuer.

PART II: ALIGNMENT WITH GREEN BOND PRINCIPLES (GBP), GREEN LOAN PRINCIPLES (GLP), PROPOSED EUROPEAN GREEN BOND STANDARD (GBS)

1. Use of Proceeds

The proceeds of Elia Transmission Belgium’s Green Finance Instruments will be used to finance and/or refinance, in whole or in part, new or existing green projects (“Eligible Green Projects”) from the Eligible Green Project Category as defined below. Together, these form Elia’s “Eligible Green Project Portfolio”.

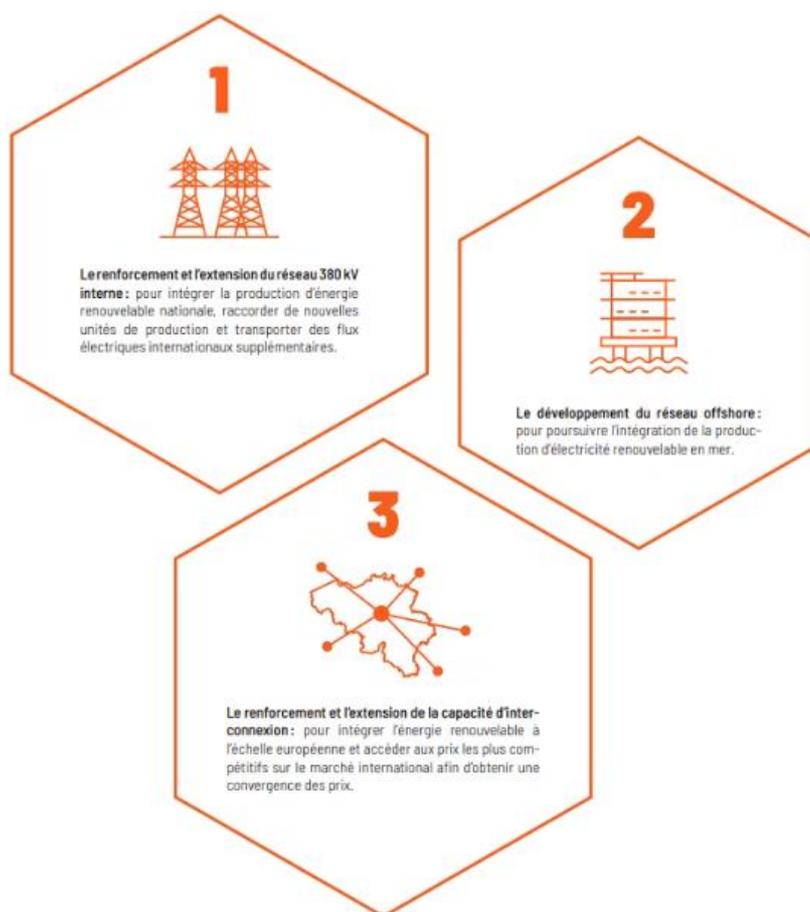
ICMA GBP/GLP CATEGORY	TECHNICAL SCREENING CRITERIA	EXCLUSION CRITERIA	EU ECONOMIC ACTIVITY ² AND EU ENVIRONMENTAL OBJECTIVES ³
Renewable Energy	<p>Electricity transmission infrastructure and equipment that complies with at least one of the following criteria:</p> <ul style="list-style-type: none"> The system is the interconnected European system, i.e. the interconnected control areas of Member States, Norway, Switzerland and the United Kingdom, and its subordinated systems More than 67% of newly enabled generation capacity in the system is below the generation threshold value of 100 gCO₂e/kWh measured on a life cycle basis in accordance with electricity generation 	<p>Overarching exclusion criteria: Infrastructure dedicated to creating a direct connection or expanding an existing direct connection between a substation or network and a power production plant that is more greenhouse gas intensive than 100 gCO₂e/kWh measured on a life cycle basis is not eligible</p> <p>DNSH specific exclusion criteria: In addition, when selecting Eligible Green Projects, the exclusion criteria will follow the Do No Significant Harm (‘DNSH’) criteria applicable to the transmission of electricity</p>	<p>Transmission and distribution of electricity NACE D35.1.2</p> <p>Substantial contribution to Climate Change Mitigation (Article 10):</p> <p>1.a) generating, transmitting, storing, distributing or using renewable energy in line with Directive (EU) 2018/2001, including through the use of innovative technology with a potential for significant future savings or through the necessary reinforcement or extension of the grid;</p> <p>1.b) improving energy efficiency, except for power generation activities as referred to in Article 19(3);</p> <p>1.g) establishing the energy infrastructure required for enabling the decarbonisation of energy systems.</p>

² Supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives, see [here](#).

³ Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088. To be found [here](#).

	<p>criteria, over a rolling five-year period;</p> <p>Installation of metering infrastructure that meets the requirements of smart metering systems of Article 20 of Directive (EU) 2019/944</p>		
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Examples of projects (non-exhaustive):



Opinion: ISS ESG considers the Use of Proceeds description provided by Elia's Green Finance Framework as aligned with the GBPs and GLPs. The inclusion of the relevant EU Taxonomy activities is aligned with the requirements of the proposed European GBS (ISS ESG's assessment of the alignment of the Use of Proceeds descriptions with the EU Taxonomy is presented in Part III).

2. Process for Project Evaluation and Selection

2.1. Roles and responsibilities

Elia Transmission Belgium has established a clear decision-making process to determine the eligibility of the nominated Eligible Green Projects, in accordance with the eligibility criteria outlined in the 'Use of Proceeds' section of this Framework.

Eligible Green Projects will be selected by the dedicated Green Finance Committee which has been set up within Elia Transmission Belgium.

The Green Finance Committee is composed of representatives from the following departments:

- Finance department (Controlling, Treasury);
- Sustainability department;
- Risk management department;
- Strategy department (responsible for Act Now);
- any relevant business teams involved in the selection of Eligible Green Projects as required.

The Green Finance Committee is responsible for:

- reviewing the content of the Elia Transmission Belgium Green Finance Framework and updating it to reflect changes in corporate strategy, technology, market, or regulatory developments on a best effort basis;
- updating non-Elia Transmission Belgium documents such as second party opinions (SPO) and related documents from external consultants and accountants;
- evaluating and defining the Eligible Green Project Portfolio in line with the eligibility criteria defined in this Framework, validating the purpose of the financing and the environmental objectives they contribute to, and excluding projects that no longer comply with the eligibility criteria or that have been ended;
- overseeing the allocation of the proceeds from Green Finance Instruments to the Eligible Green Project Portfolio and monitoring their use over time to ensure that the amount of green projects equals or exceeds the amount of Green Financing Instruments;
- overseeing, approving and publishing the allocation and impact reporting, including external assurance statements for which Elia may rely on external consultants and their data sources, in addition to carrying out its own assessments;
- aligning the Framework with applicable requirements related to sustainable finance regulations, such as the EU Taxonomy Regulation (including the EU Environmental Objectives, the Technical Screening Criteria (TSC), the Do No Significant Harm ('DNSH') criteria and Minimum Social Safeguard requirements) and the EU Green Bond Standard, on a best effort basis and as required;
- monitoring internal processes to identify mitigations to known material risks of negative social and/or environmental impacts associated with the Eligible Green Project Portfolio; such mitigations may include clear and relevant trade-off analysis and monitoring where the issuer assesses the potential risks to be meaningful;
- ensuring that the environmental and social risks potentially associated with the Eligible Green Project Portfolio are properly mitigated via the due diligence processes conducted by Elia

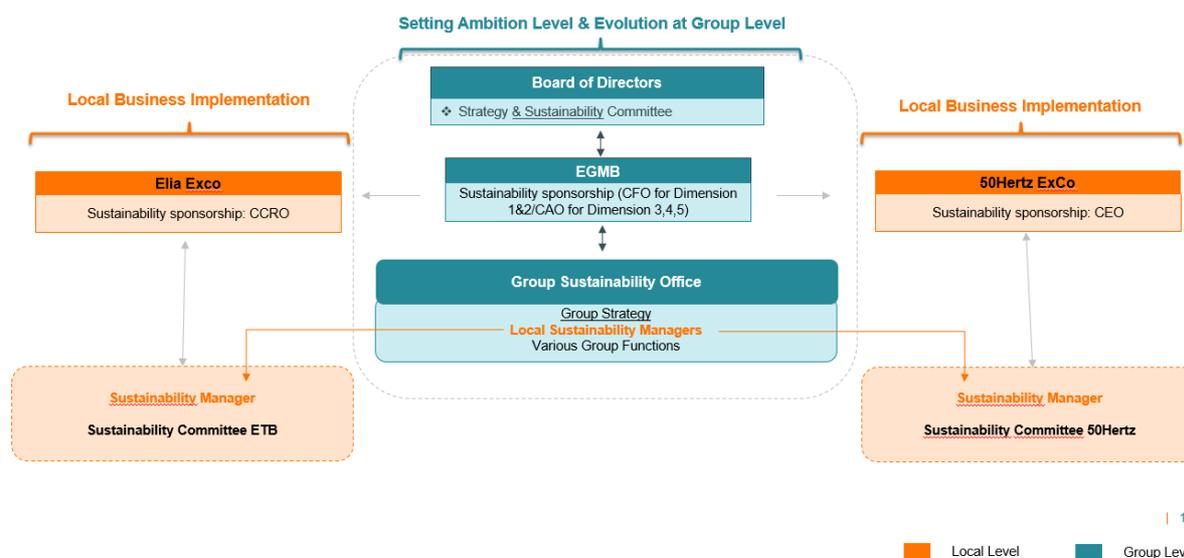
Transmission Belgium and comply with official national and international environmental and social standards and local laws and regulations, on a best effort basis;

- reporting transparently on project-related controversies, if any;
- liaising with relevant business finance segments and other stakeholders on all of the above.

The committee will meet at least once per year.

2.2. Sustainability policies and environmental management system

As previously discussed, Elia Group introduced a Group-wide sustainability programme called Act Now, the objectives of which Elia Transmission Belgium must contribute to fulfilling. To balance the need for consistency at Group level and the specificities of each subsidiary, a governance framework related to fulfilling the Act Now objectives was developed. This framework includes a central Group Sustainability Office that has the authority to carry out changes and select the priority sustainability topics that are material to the Group as a whole. Once the most important topics have been selected, the local sustainability office in Belgium is then responsible for the execution of the programme across Elia Transmission Belgium. Its business units then have a mandate to develop, own, and manage local initiatives by deploying their own resources to achieve Group-wide goals. The Green Finance Committee is part of the Belgian Sustainability Committee and is responsible for dealing with all sustainable finance topics.



The Eligible Green Projects are subject to Elia Transmission Belgium’s internal sustainability policies and management processes derived from the Group-wide Act Now programme.

Here are some examples:

Code of Ethics⁴: To ensure that sustainability remains one of the issuer’s key areas of focus and is considered in all of its decision-making processes, Elia has to foster a sustainable mindset and set of behaviours.

- Integrity and ethics are key to their interactions. Through their Code of Ethics, the issuer has defined what is considered to be proper ethical behaviour and have established a set of principles in order to avoid ethical breaches and conflicts of interest.
- The Code of Ethics outlines what Elia understands by bribery and corruption and explicitly states that Elia Group prohibits bribery in any form, alongside misuse of advance knowledge and market manipulation. Elia also provides training for their employees, which allows their employees to recognise behaviours or incidents where bribery or corruption may be at play, and provides them with information about how to access the safe, anonymous space set up to report any such matter (via their whistle-blower programme).

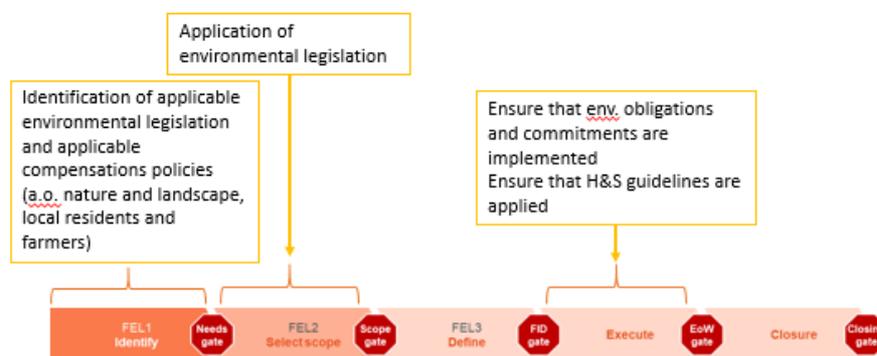
Health and Safety Policy: All Elia Group companies have implemented a Health and Safety policy and undertake continuous safety analyses and promote a safety culture. Elia has been awarded a “Safety Culture Ladder 3” certification⁵.

Management processes used when identifying eligible projects: During the planning of projects and associated approval procedures, economic efficiency, the concerns of local residents and technology are all taken into account alongside the protection of flora and fauna. Environmental impact assessments are also carried out to minimise conflicts with nature conservation efforts at an early stage. A nature corridor is then identified along the exact route of the electrical line. Protection and compensation measures are then identified and implemented as part of a subsequent phase. All these investigations are carried out together with external environmental planners, routing experts and, if necessary, other science and nature conservation experts.

Elia has also established a list of guidelines for different types of projects with which its contractors must comply on its construction sites; these guidelines include relevant aspects of environmental legislation, i.e. which relate to soil removal, the sorting and disposal of waste and other environmental requirements.

⁴ To be found [here](#).

⁵ The Safety Culture Ladder measures the maturity level of a company’s safety culture. More information to be found [here](#).



Opinion: ISS ESG considers the Process for Project Evaluation and Selection description provided by Elia’s Green Finance Framework as aligned with the GBPs and GLPs. ISS ESG commends the involvement of different departments in the selection process. The detailed disclosures of their various responsibilities and commitment to reporting transparently on project-related controversies are aligned with best market practices.

3. Management of Proceeds

The proceeds of the Green Finance Instruments issued under this Framework will be managed by Elia Transmission Belgium in a portfolio approach.

In accordance with the evaluation and selection process outlined above, Elia Transmission Belgium intends to allocate the proceeds from the Green Finance Instruments to the eligible projects in the Eligible Green Project Portfolio that meet the Use of Proceeds eligibility criteria.

Elia Transmission Belgium will strive, over time, to achieve a level of allocation to the Eligible Green Project Portfolio which matches or exceeds the balance of proceeds from its outstanding Green Finance Instruments. Additional projects will be added to the Eligible Green Project Portfolio as and when necessary. Elia Transmission Belgium aims to allocate the Green Finance Instrument proceeds within a timeframe of 24 months after issuance, in accordance with market practice.

The Eligible Green Project Portfolio may consist of capex projects, opex or asset values. Capital and/or operational expenditures qualify for refinancing with a maximum three-year look-back period. Asset values qualify for refinancing without a specific look-back period. Assets will be included in the portfolio at their current IFRS balance sheet value, which will be updated annually to reflect investment and depreciation under IFRS. Capital expenditures will be included in the portfolio for the amount of the initial expenditure, subject to annual depreciation on a straight-line basis and in accordance with the expected useful life of the investment.

Pending the allocation of the financing to Eligible Green Projects, unallocated proceeds will be invested in accordance with Elia Transmission Belgium’s liquidity guidelines (in cash, deposits or other money market instruments).

Opinion: *ISS ESG finds that the Management of Proceeds proposed by Elia's Green Finance Framework is well aligned with the GBPs and GLPs. In particular, several best market practices are followed, such as the 2-year timeframe for the allocation of proceeds and disclosure on how the unallocated proceeds will be used. The 2-year timeframe, three-year lookback period for refinancing of operational expenditures and temporary allocation of proceeds are aligned with the requirements of the proposed European GBS. In particular, a specified look back period of 3 years for the refinancing of capital expenditures (CAPEX) is market best practice because it goes beyond the requirements of the proposed European GBS, which does not mention any lookback period for CAPEX.*

4. Reporting

Elia Transmission Belgium will undertake and publish annual reporting on the allocation and impact of the portfolio of Eligible Green Projects; this reporting will start one year after the first issuance of the Green Finance Instruments, to be renewed annually until full allocation or in case of material change. This reporting will be made publicly available on Elia Transmission Belgium's website (European Green Bond section⁶).

Elia Transmission Belgium intends to report on all of its outstanding Green Finance Instruments on an aggregated basis, at the level of the GBP/GLP and EU Economic Activity category.

Elia Transmission Belgium intends to align its impact reporting with the ICMA 'Handbook - Harmonized Framework for Impact Reporting' (June 2021 version⁷).

Allocation reporting

The allocation report will provide indicators such as:

- the total amount of Elia Transmission Belgium Green Finance Instruments which are outstanding;
- the amount of proceeds allocated to the Eligible Green Project Category;
- the balance of unallocated proceeds;
- the amount or the percentage of new financing and refinancing;
- the geographical distribution of the projects;
- the proportion of projects that is aligned with the EU Taxonomy Climate Delegated Act.

Impact reporting

The impact report will provide indicators such as the following:

Environmental indicators

- estimated avoided CO₂ emissions (in tCO₂e per year);
- estimated adverse environmental impacts, if any

Operational environmental and social indicators

- average interruption time;
- SF₆ leakage rate;
- Total Recordable Injury (TRI) rate.

⁶ To be found [here](#)

⁷ To be found [here](#)

Opinion: ISS ESG finds that the reporting proposed by Elia's Green Finance Framework is aligned with the GBPs and GLPs. The company is transparent on the level of reporting, on its frequency, scope, duration and type of information reported. Further, Elia includes the website details as well as suggested indicators from the ICMA Handbook for "Harmonized Framework for Impact Reporting", which both follow market best practice. The publicly disclosed allocation and impact reporting will include details about the proportion of financing vs refinancing, geographical distribution of projects, as well as the proportion of projects that is aligned with the EU Taxonomy Climate Delegated Act. These elements allow the reporting commitments to meet the requirements of the proposed European GBS.

5. External review

Second Party Opinion (pre-issuance)

ISS ESG⁸ reviewed the alignment of Elia Transmission Belgium's Green Finance Framework with ICMA's 2021 Green Bond Principles and LMA's 2021 Green Loan Principles. ISS ESG provided a Second Party Opinion (SPO). In addition, ISS ESG assessed the alignment of Elia Transmission Belgium's Green Finance Framework with the EU Taxonomy Climate Delegated Act and EU Green Bond Standard.

Post issuance - annual audit/limited assurance on the allocation reporting

Elia Transmission Belgium may request on an annual basis, starting one year after issuance until full allocation, a limited assurance report relating to the allocation of the Green Finance Instrument's proceeds to Eligible Green Projects, which are provided by an external auditor.

Opinion: ISS ESG finds that the External Review proposed by Elia's Green Finance Framework is aligned with the GBPs and GLPs. The limited assurance of the allocation reporting meets the requirements of the proposed European GBS.

⁸ <https://www.issgovernance.com/esg/>

PART III: SUSTAINABILITY QUALITY OF THE ISSUANCE

A. CONTRIBUTION OF THE SELECTION CRITERIA OF THE GREEN FINANCE FRAMEWORK TO THE UN SDGs

Based on the assessment of the sustainability quality of the Green Finance Framework and using a proprietary methodology, ISS ESG assessed the contribution of Elia’s Green Finance Framework to the Sustainable Development Goals defined by the United Nations (UN SDGs).

This assessment is displayed on a 5-point scale (see Annex 2 for methodology):



The Green Finance Framework’ Use of Proceeds category has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Electricity transmission infrastructure and equipment	Significant contribution⁹	 

⁹This assessment differs from the ISS ESG SDG Solutions Assessment (SDGA) proprietary methodology designed to assess the impact of an issuer’s product and service portfolio on the SDGs. For the projects to be financed under Elia’s Use of Proceeds categories that comply with the Technical Screening Criteria for Climate Change Mitigation as defined by the EU Taxonomy Technical Annex, a significant contribution to SDGs 7 and 13 is attested. This is due to the fact that the transmission infrastructure financed under this transaction are considered to play an enabling role in the transition to a more sustainable energy system, given that the grids particularly focus on newly enabled generation capacity below the threshold of 100 gCO₂e/kWh.

B. ALIGNMENT OF THE ELIGIBLE GREEN PROJECT CATEGORY WITH THE EU TAXONOMY

ISS ESG assessed the alignment of Elia’s project selection process and company policies for the nominated Use of Proceeds project category, with the relevant Climate Change Mitigation, Do Not Significant Harm Criteria and Minimum Social Safeguards requirements of the EU Taxonomy Climate Delegated Act¹⁰ (June 2021), based on information provided by Elia. Where Elia’s projects and policies fully meet the Criteria requirements, a tick is shown in the table below, for the ISS ESG assessment against the Criteria requirements.

Elia’s nominated project categories overlap with the economic activity “4.9 - Transmission and distribution of electricity” in the EU Taxonomy for Substantial Contribution to Climate Change Mitigation.

¹⁰https://ec.europa.eu/info/law/sustainable-finance-taxonomy-regulation-eu-2020-852/amending-and-supplementary-acts/implementing-and-delegated-acts_en

B.1 4.9 – Transmission and distribution of electricity

EU TAXONOMY REQUIREMENT	GREEN PERFORMANCE AND PROCESSES	PROJECTS AND SELECTION	OWN ANALYSIS AGAINST REQUIREMENT
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA			
<p>The activity complies with one of the following criteria:</p> <p>1. The transmission and distribution infrastructure or equipment is in an electricity system that complies with at least one of the following criteria:</p> <p>(a) the system is the interconnected European system, i.e. the interconnected control areas of Member States, Norway, Switzerland and the United Kingdom, and its subordinated systems;</p> <p>(b) more than 67% of newly enabled generation capacity in the system is below the generation threshold value of 100 gCO₂e/kWh measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period;</p> <p>(c) the average system grid emissions factor, calculated as the total annual emissions from power generation connected to the system, divided by the total annual net electricity production in that system, is below the threshold value of 100 gCO₂e/kWh measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period;</p> <p>Infrastructure dedicated to creating a direct connection or expanding an existing direct connection between a substation or network and a power production plant that is more greenhouse gas intensive than 100 gCO₂e/kWh measured on a life cycle basis is not eligible. Installation of metering infrastructure that does not meet the requirements of smart metering systems of Article 20 of Directive (EU) 2019/944 is not eligible.</p> <p>2. The activity is one of the following:</p>	<p>Elia’s transmission and distribution infrastructure or equipment is an electricity system that complies with the criteria (a) and (b).</p> <p>Electricity transmission infrastructure and equipment need to explicitly meet the criterion of being in an interconnected European system. Further, the activity constitutes the construction and operation of direct connection, or expansion of existing direct connection, of low carbon electricity generation below the threshold of 100 gCO₂e/kWh measured on a life cycle basis to a substation or network.</p> <p>Further, installation of metering infrastructure meets the requirements of smart metering systems of Article 20 of Directive (EU) 2019/944.</p>		

(a) construction and operation of direct connection, or expansion of existing direct connection, of low carbon electricity generation below the threshold of 100 gCO₂e/kWh measured on a life cycle basis to a substation or network;

(b) construction and operation of electronic vehicle (EV) charging stations and supporting electric infrastructure for the electrification of transport, subject to eligibility under the transport Section of this Annex;

(c) installation of transmission and distribution transformers that comply with the Tier 2 (1 July 2021) requirements set out in Annex I to the Commission Regulation (EU) No 548/2014¹¹ and, for medium power transformers with highest voltage for equipment not exceeding 36 kV, with AAA0 level requirements on no-load losses set out in standard EN 50588-1¹².

(d) construction/installation and operation of equipment and infrastructure where the main objective is an increase of the generation or use of renewable electricity generation;

(e) installation of equipment to increase the controllability and observability of the electricity system and to enable the development and integration of renewable energy sources, including:

(i) sensors and measurement tools (including meteorological sensors for forecasting renewable production);

(ii) communication and control (including advanced software and control rooms, automation of substations or feeders, and voltage control capabilities to adapt to more decentralised renewable infeed).

(f) installation of equipment such as, but not limited to future smart metering systems or those replacing smart metering systems in line with Article 19(6) of

¹¹ Commission Regulation (EU) No 548/2014 of 21 May 2014 on implementing Directive 2009/125/EC of the European Parliament and of the Council with regard to small, medium and large power transformers (OJ L 152, 22.5.2014, p. 1).

¹² CEI EN 50588-1 Medium power transformers 50 Hz, with highest voltage for equipment not exceeding 36 kV.

Directive (EU) 2019/944 of the European Parliament and of the Council¹³, which meet the requirements of Article 20 of Directive (EU) 2019/944, able to carry information to users for remotely acting on consumption, including customer data hubs;

(g) construction/installation of equipment to allow for exchange of specifically renewable electricity between users;

(h) interconnectors between transmission systems, provided that one of the systems is eligible.

For the purposes of this Section, the following specifications apply:

(a) the rolling five-year period used in determining compliance with the thresholds is based on five consecutive historical years, including the year for which the most recent data are available;

(b) a 'system' means the power control area of the transmission or distribution network where the infrastructure or equipment is installed;

(c) transmission systems may include generation capacity connected to subordinated distribution systems;

(d) distribution systems subordinated to a transmission system that is deemed to be on a trajectory to full decarbonisation may also be deemed to be on a trajectory to full decarbonisation;

(e) to determine eligibility, it is possible to consider a system covering multiple control areas which are interconnected and with significant energy exchanges between them, in which case the weighted average emissions factor across all included control areas is used, and individual subordinated transmission or distribution systems

¹³ Directive (EU) 2019/944 of the European Parliament and of the Council of 5 June 2019 on rules for the internal market for electricity and amending Directive 2012/27/EU (OJ L 158/125, 14.6.2019)

within that system is not required to demonstrate compliance separately;

(f) it is possible for a system to become ineligible after having previously been eligible. In systems that become ineligible, no new transmission and distribution activities are eligible from that moment onward, until the system complies again with the threshold (except for those activities that are always eligible, see above). Activities in subordinated systems may still be eligible, where those subordinated systems meet the criteria of this Section;

(g) a direct connection or expansion of an existing direct connection to production plants includes infrastructure that is indispensable to carry the associated electricity from the power generating facility to a substation or to the network.

2. CLIMATE CHANGE ADAPATION – DO NO SIGNIFICANT HARM CRITERIA

The physical climate risks that are material to the activity have been identified from those listed in the table in Section II (of the Delegated Act) by performing a robust climate risk and vulnerability assessment with the following steps:

(a) screening of the activity to identify which physical climate risks from the list in Section II (of the Delegated Act, June 2021) may affect the performance of the economic activity during its expected lifetime;

(b) where the activity is assessed to be at risk from one or more of the physical climate risks listed in Section II (of the Delegated Act), a climate risk and vulnerability assessment to assess the materiality of the physical climate risks on the economic activity;

(c) an assessment of adaptation solutions that can reduce the identified physical climate risk.

Elia has run a group-wide exercise to identify and assess climate risks, derive climate risks and vulnerability assessment for the major risks identified and assess the adequacy of their current portfolio of adaptation measures.

Relying on internal expertise and external reports, the Elia team made a screening of the activity to identify which physical climate risks from the list in the table (of the Delegated Act, June 2021) may affect the performance of the economic activity during its expected lifetime. As a confirmatory factor, the short-listed risks identified by internal experts are very much aligned with the 5 scenarios identified in the Risk Preparedness Plan for the Electricity sector published by the Belgian Federal Minister of Energy Ministry¹⁴. The issuer kept in the short list:

- Temperature: changes – heatwave – cold spell – wildfire



¹⁴ In line with the requirements pursuant to Regulation (EU) 2019/941 of the European Parliament and of the Council of 5 June 2019 on risk-preparedness in the electricity sector and repealing Directive 2005/89/EC

The climate risk and vulnerability assessment is proportionate to the scale of the activity and its expected lifespan, such that:

(a) for activities with an expected lifespan of less than 10 years, the assessment is performed, at least by using climate projections at the smallest appropriate scale;

(b) for all other activities, the assessment is performed using the highest available resolution, state-of-the-art climate projections across the existing range of future scenarios consistent with the expected lifetime of the activity, including, at least, 10 to 30 year climate projections scenarios for major investments.

For new activities and existing activities using newly-built physical assets, the economic operator integrates the adaptation solutions that reduce the most important identified physical climate risks that are material to that activity at the time of design and construction and has implemented them before the start of operations. The adaptation solutions implemented do not adversely affect the adaptation efforts or the level of resilience to physical climate risks of other people, of nature, of cultural heritage, of assets and of other economic activities; are consistent with local, sectoral, regional or national adaptation strategies and plans; and consider the use of nature-based solutions or rely on blue or green infrastructure to the extent possible.

The climate projections and assessment of impacts are based on best practice and available guidance and take into account the state-of-the-art science for vulnerability and risk analysis and related methodologies in line with the most recent Intergovernmental Panel on Climate Change reports, scientific peer-reviewed publications, and open source or paying models. For existing activities and new activities using existing physical assets, the economic operator implements physical and non-physical solutions ('adaptation solutions'), over a period of time of up to five years, that reduce the most important identified physical climate risks that

- Wind: changes – storms (generic & downbursts)
- Water: changes – drought- flood – sea level rise

For the sake of clarity, the exercise led to identify possible unwanted impacts on soil driven by water related risks for its activities. Therefore, soil aspects are described under the water related risks. The exercise also identified chronic climate risks as the slow manifestation of longer-term climate change over several decades. This makes the anticipation and planning of adaptations easier to manage for chronic climate risks than for acute ones.

Moreover, Elia has followed up with internal experts to assess deeper its vulnerability and to evaluate the impact of those risks. The issuer relied, when available, on long-term climate projections (e.g. 2070) for correlation against the expected lifetime of their assets, which is mostly >40 years. Finally, Elia has also identified the existing adaptation measures for existing and new assets and assessed them to ensure a sufficient response to climate risks.

As an output from that exercise, Elia has prepared a report that summarizes the company assessment of the risks and of the measures in place to enable their assets & processes to withstand climate changes. Additionally, the management of these climatic risks has now been embedded in the group wide risk management processes to ensure that any appropriate actions are recorded and adaptation plans are tracked to completion. Responsibility and ownership of these action plans ensures their timely delivery and ensures that climate change adaptation is subject to the same level of ongoing review and evaluation as other business risks.

<p>are material to that activity. An adaptation plan for the implementation of those solutions is drawn up accordingly.</p>		
<p>3. WATER – DO NO SIGNIFICANT HARM CRITERIA</p>		
<p>N/A</p>	<p>N/A</p>	<p>N/A</p>
<p>4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA</p>		
<p>A waste management plan is in place and ensures maximal reuse or recycling at end of life in accordance with the waste hierarchy, including through contractual agreements with waste management partners, reflection in financial projections or official project documentation.</p>	<p>Evaluation Transmission of Electricity Belgium:</p> <p>Elia produces different waste streams related to its activities, including some recyclable and hazardous waste. Maintenance work and infrastructure projects are its core activities that generate most waste flows. Elia applies the waste hierarchy criteria to the waste flows generated by its activities.</p> <p>Elia ensures re-use or recycle of specific elements when facilities are converted or dismantled (e.g. metal of the cable, oil).</p> <p>Moreover, Elia has established a waste management policy for collecting, sorting and handling its waste in their administrative and local technical sites (service centers) that includes contracts with authorized collectors specialized in the collection, transport and recycling of hazardous and non-hazardous waste.</p> <p>For construction sites, Elia has established a list of guidelines – the general technical specifications – for the different types of projects in which it is stated that the external contractor has to take care of the evacuation of all the waste coming from the works and this according to the legislation in force.</p> <p>Since 2018, the Public Waste Agency of Flanders (OVAM) requires a demolition <i>sloopopvolgingsplan</i> for certain demolition, dismantling and renovation works for which an environmental permit is required. When all the conditions apply, Elia complies with this obligation. This <i>sloopopvolgingsplan</i> is a tool for selective demolition and selective collection on</p>	<p style="text-align: right; color: green; font-size: 2em;">✓</p>

	<p>site, its purpose is to provide a list of all the waste expected and generated in the course of demolition work, and to make recommendations for selective demolition. An independent expert draws up the <i>sloopopvolgingsplan</i> according to a standard procedure.</p> <p>As legally required in Belgium, the waste disposal contractor provides Elia with information on the waste disposal method (and certificates). Depending on the region, Elia is also required to report to the authorities the yearly quantities of specific waste types.</p>	
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5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA

<p>Overground high voltage lines:</p> <p>a) for construction site activities, activities follow the principles of the IFC General Environmental, Health, and Safety Guidelines¹⁵.</p> <p>b) activities respect applicable norms and regulations to limit impact of electromagnetic radiation on human health, including for activities carried out in the Union, the Council recommendation on the limitation of exposure of the general public to electromagnetic fields (0 Hz to 300 GHz)¹⁶ and for activities carried out in third countries, the 1998 Guidelines of International Commission on Non-Ionizing Radiation Protection (ICNIRP)¹⁷.</p> <p>c) Activities do not use PCBs polychlorinated biphenyls.</p>	<p>Evaluation Transmission of Electricity Belgium:</p> <p>a) Elia’s activities are in line with the stated requirements and the issuer is working on improving the small improvements areas identified as part of the assessment.</p> <p>b) All of Elia’s grid assets comply with the EU regulations 1999/519/EG and 2013/35/EU on electromagnetic fields (0 -300 GHz)</p> <p>Elia owns at the moment 10 transformers that contain PCB out of 1200 transformers (i.e. less than 1%). Those transformers are currently not in alignment with the Criteria. However, the company specifically excludes financing these transformers under its Green Finance Framework.</p>	<p>✓</p>
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6. ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA

<p>An Environmental Impact Assessment (EIA) or screening has been completed in accordance with Directive 2011/92/EU. Where an EIA has been carried out, the required mitigation and</p>	<p>Evaluation Transmission of Electricity Belgium:</p> <p>The issuer confirms to always have undertaken an EIA when necessary, in accordance with the</p>	<p>✓</p>
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¹⁵ Environmental, Health, and Safety (EHS) Guidelines of 30 April 2007 (version of [adoption date]: <https://www.ifc.org/wps/wcm/connect/29f5137d-6e17-4660-b1f9-02bf561935e5/Final%2B-%2BGeneral%2BEHS%2BGuidelines.pdf?MOD=AJPERES&CVID=jOWim3p>).

¹⁶ Council Recommendation of 12 July 1999 on the limitation of exposure of the general public to electromagnetic fields (0 Hz to 300 GHz) (1999/519/EC) (OJ L 199, 30.7.1999, p. 59).

¹⁷ ICNIRP 1998 Guidelines for limiting exposure to time-varying electric, magnetic and electromagnetic fields (up to 300 ghz) (version of [adoption date]: <https://www.icnirp.org/cms/upload/publications/ICNIRPemfgdl.pdf>).

<p>compensation measures for protecting the environment are implemented.</p> <p>For sites/operations located in or near biodiversity-sensitive areas (including the Natura 2000 network of protected areas, UNESCO World Heritage sites and Key Biodiversity Areas, as well as other protected areas), an appropriate assessment, where applicable, has been conducted and based on its conclusions the necessary mitigation measures are implemented.</p>	<p>Directive 2011/92/EU. This also applies to environmental assessments linked to the Directive 2009/147/EC (Birds) and 92/43/EC (Habitats).</p> <p>Whilst the issuer already confirms that it complies with all regulatory measures in those regards, it has additionally verified that for its projects with a CAPEX >€150m of the last 5 years (representing >74% of total capex), that the required compensation measures and adaptation measures had been implemented.</p> <p>The issuer reconfirms that the required measures have also been implemented on the remainder of its projects, thereby covering the entirety of the projects in the database to be financed under this Framework.</p> <p>The issuer ensures the reporting to public authorities on implementation of compensation measures and has a clear follow up process.</p>	
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Minimum Social Safeguards

ISS ESG assessed the alignment of the due diligence and selection processes in place with the EU Taxonomy Minimum Social Safeguards as described in Article 18 of the Taxonomy Regulation¹⁸. The results of this assessment are applicable for every Project Category financed under this framework and are displayed below:

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ANALYSIS AGAINST REQUIREMENT
<p>Alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights.</p>	<p>Elia Group complies with international guidelines extending beyond its collective agreements and company agreements, such as the core labour standards of the International Labour Organisation (ILO: C87, C98 and C135) and the worker’s rights set out in the UN Global Compact.</p> <p>In addition, Elia adheres to the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.</p> <p>Elia Transmission Belgium operates exclusively in Belgium, which is an EU and OECD member country.</p>	<p style="text-align: center;">✓</p>

¹⁸ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32020R0852>

DISCLAIMER

1. Validity of the SPO: As long as the Green Finance Framework remains unchanged.
2. ISS ESG uses a scientifically based rating concept to analyse and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to the highest quality standards which are customary in responsibility research worldwide. In addition, we create a Second Party Opinion (SPO) on bonds based on data from the issuer.
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ANNEX 1: Methodology

Assessment of the contribution and association to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method, ISS ESG identifies the extent to which Elia's Green Finance Framework contributes to related SDGs.

ANNEX 2: Quality management processes

SCOPE

Elia commissioned ISS ESG to compile a Green Finance Framework SPO. The Second Party Opinion process includes verifying whether the Green Finance Framework aligns with the Green Bond Principles (June 2021), Green Loan Principles (February 2021), EU Taxonomy Climate Delegated Act (June 2021), proposed European Green Bond Standard (July 2021) and to assess the sustainability credentials of its Green Finance Framework, as well as the issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA Green Bond Principles (June 2021)
- LMA Green Loan Principles (February 2021)
- EU Taxonomy Climate Delegated Act (June 2021)
- Proposed European Green Bond Standard (July 2021)

ISSUER'S RESPONSIBILITY

Elia's responsibility was to provide information and documentation on:

- Framework
- Eligibility criteria
- Documentation of ESG risks management at the asset level

ISS ESG'S VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

ISS ESG has conducted this independent Second Party Opinion of the Green Finance Framework to be issued by Elia based on ISS ESG methodology and in line with the Green Bond Principles (June 2021), Green Loan Principles (February 2021), EU Taxonomy (June 2021), and proposed European Green Bond Standard (July 2021).

The engagement with Elia took place in August – December 2021.

ISS ESG'S BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behaviour and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

About ISS ESG SPO

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

As part of our Sustainable (Green & Social) Bond Services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

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